Market conditions and your decision to retire

Turbulent market conditions are causing concern for everyone with money invested in securities (for instance stocks, bonds and mutual funds). That concern is multiplied for those thinking about retiring in the near future.

Although this is a trying time, it is also the time to become a better-informed and disciplined investor by remembering important facts about the benefits of long-term investing. It is also the right time to take a hard look at your *entire* financial picture.

Of course, any time you have money invested in securities, the value of those investments is subject to market fluctuations. But history has shown us that time should be on your side. Even the worst 12-month stock declines can be followed by periods of greater recovery.

For a recent example, from March 2002 – March 2003, the stock market, as based on the S&P 500 Index, declined 24.8%. The following year, the S&P 500 experienced a 35.1% gain.*

12 Months Ended	Trailing 12-Month Return	Next 1-Year Return	Next 5-Year Return	Next 10-Year Return
Sept. 1974	-38.9%	+38.1%	+16.8%	+15.6%
Sept. 2001	-26.6%	-20.5%	+7.0%	-
March 2003	-24.8%	+35.1%	+11.3%	-
May 1970	-23.3%	+34.7%	+7.3%	+8.2%
Aug. 1988	-17.8%	+39.0%	+15.8%	+17.0%
Oct. 1962	-14.9%	+35.3%	+14.3%	+10.6%
July 1982	-13.4%	+59.4%	+29.7%	+19.2%
Sept. 1966	-12.0%	+30.6%	+8.7%	+6.9%
Dec. 1957	-10.8%	+43.4%	+13.3%	+12.8%
Sept. 1990	-9.3%	+31.3%	+17.2%	+19.4%

- The trailing 12-month returns were sorted from worst to best. Adjacent 12-month periods were not considered. As a result, the 12 months ended September 1974 had the lowest return in the data set, so the 12-month periods that overlapped with September 1974 were not considered.
- The trailing 12-month returns are compounded total monthly returns for the S&P 500 as reported by Ibbotson Associates. The five- and 10-year returns are annualized total returns. Investors cannot invest directly in an index.
- This chart demonstrates historical results. There is no guarantee of future positive returns after a prolonged stock market downturn.

If retirement is near, you may wonder how time can be on your side. But it is possible for your retirement to last up to 30 years or more. So, while retirement may be near, you may have time in retirement for retirement savings to potentially recover. That's another reason to avoid short-term thinking.

Invest for the long-term.

Continue to focus on your long-term goals. A long-term investment philosophy allows more opportunity to ride out the fluctuations of the market.

*Ibbotson Associates (Demonstration of the U.S. Stock Market)

The benefits of a diversified portfolio.

By spreading retirement funds across a number of different types of investment options, these funds are generally less affected by short-term market swings.

It is also crucial to remember that investments are just one part of your finances. While it may be wise to do very little to change your investment strategy, now is definitely the time to revisit your overall retirement picture to consider increasing your savings and decreasing your spending.

Reduce the amount of income needed in retirement.

One of the best moves you can make to better prepare for retirement is to consider working longer, if possible. Not only will that reduce the number of years you need to fund for your retirement, it will give you additional time to trim debt you may have now.

You or your spouse continuing to work may also help you maintain access to an employer-sponsored group health plan. By doing so, you may avoid the likely higher premium expenses and larger out-of-pocket costs of individual health care coverage.

If your employer offers retiree health coverage, working longer may help you reach the minimum number of years to qualify.

Increase your retirement resources.

By continuing to work, you can increase retirement savings with your personal and any employer match contributions. This is also the time to establish or enhance emergency funds for unexpected retirement expenses.

You can also increase your retirement savings with catch-up contributions. If your employer's 401(k) plan allows catch-up contributions for those age 50 and over, you can contribute more than the regular 401(k) plan salary deferral limit. Catch-up contributions can also apply to your Individual Retirement Accounts (IRAs). Not only would you further reduce your taxable income, you would increase your contributions at a time when you can buy in at a lower cost and possibly benefit from long-term gains.

If your employer offers a defined benefit pension payout, working longer increases your years of service and recognized earnings. This may increase your pension payments.

The same is true in increasing your Social Security retirement benefits. Late career earnings usually raise benefits while minimizing age-based reductions in benefits. Once again, time is on your side if you begin collecting benefits at a later age.

Maintaining access to employer-provided group insurance benefits also helps protect retirement funds from specific life events. Disability benefits can replace some income if you are still employed but become unable to work. Life insurance provides a surviving spouse with a death benefit to help fund retirement.

If you have questions about long-term investing, saving for retirement and reducing expenses, work with your financial professional. He or she is familiar with your personal situation and can provide information to help you reach your retirement savings goal.

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